

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Public Safety Services  
Department of Public Safety and Corrections  
State of Louisiana  
Baton Rouge, Louisiana

November 27, 2002



***Financial and Compliance Audit Division***

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***Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor***

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### **LEGISLATIVE AUDITOR**

**Daniel G. Kyle, Ph.D., CPA, CFE**

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**PUBLIC SAFETY SERVICES  
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

Management Letter  
Dated November 19, 2002

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

November 27, 2002



DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

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STATE OF LOUISIANA  
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November 19, 2002

**PUBLIC SAFETY SERVICES**  
**DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 2002, we considered the Department of Public Safety and Corrections, Public Safety Services internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested the department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements as required by *Government Auditing Standards*.

The Annual Fiscal Report of the Department of Public Safety and Corrections, Public Safety Services is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The department's accounts are an integral part of the State of Louisiana financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior management letter on the Department of Public Safety and Corrections, Public Safety Services, for the year ended June 30, 2001, we reported findings relating to ineffective internal audit function, inaccurate performance progress reports, and missing funds. The findings on missing funds and inaccurate performance progress reports have been resolved by management. The finding related to ineffective internal audit function is addressed again in this report.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2002.

**Ineffective Internal Audit Function**

For the second consecutive year, the Audit Services Section of the Department of Public Safety and Corrections, Public Safety Services did not conduct a sufficient number of audits to be considered an effective internal audit function. The internal audit function should provide management with assurances that assets of the department are properly safeguarded, internal controls are established and operating in accordance with applicable laws and regulations, and procedures are sufficient to prevent or detect errors and/or fraud in a timely manner. Although the Audit Services Section did conduct audits within the Office of Motor Vehicles, it did not conduct any audits on the other ten

## LEGISLATIVE AUDITOR

### **PUBLIC SAFETY SERVICES DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS STATE OF LOUISIANA**

Management Letter, Dated November 19, 2002

Page 2

budget units of the department. Considering the department's reported assets (\$43,562,745) and the revenue it collects (\$1,164,469,399), an effective internal audit function is needed to ensure that the department's assets are safeguarded and that management's policies and procedures are uniformly applied.

The department should take the necessary steps to ensure that the Audit Services Section conducts a sufficient number of audits by either reallocating or increasing available internal audit resources or by pursuing other alternatives to accomplish this objective. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

#### **Lack of Verification of Time and Attendance**

The Department of Public Safety and Corrections, Public Safety Services did not adequately ensure that all time and attendance data entered into the Payroll/Personnel system ("ISIS/HR") was independently verified and that time sheets were approved in a timely manner. Good internal controls include timely approvals of time and attendance records and an adequate review of transactions to ensure that data are accurate and reliable and to ensure that errors and/or fraud are detected in a timely manner. In addition, the department's policies and procedures state that the certifying official is responsible for ensuring that all employees' time and attendance records have been verified.

Our tests revealed that six out of eight (75%) agencies tested within the department did not follow the established procedures to perform an independent verification of the time and attendance input into the ISIS/HR system. In addition, as of March 2002, the certifying official of one of the agencies had not approved time sheets of six payroll periods ranging from September 16, 2001, to January 6, 2002.

These conditions exist because management has not placed sufficient emphasis on following established policies and procedures. Failure to independently verify the time and attendance entries and approve time sheets timely increases the risk that inaccurate, unsupported, or fraudulent payroll data could be entered and processed without timely detection.

The department should ensure that employees follow established policies and procedures to independently verify time and attendance records for accuracy and to approve time sheets timely. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 2-3).

## LEGISLATIVE AUDITOR

### **PUBLIC SAFETY SERVICES DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS STATE OF LOUISIANA**

Management Letter, Dated November 19, 2002

Page 3

#### **Lack of Written Disaster Recovery Plan**

The Department of Public Safety and Corrections, Public Safety Services does not have a written disaster recovery/contingency plan, to include provisions for an offsite disaster recovery facility, for its data processing operations. To provide for the timely restoration of critical department operations in the event that normal data processing facilities are unavailable for an extended period of time, good internal control requires that the department obtain access to an offsite disaster recovery facility and develop a written disaster recovery/contingency plan. In addition, the department should periodically test and update the plan to ensure it continues to meet its needs.

The department did not allocate current funds to be used to obtain access to an offsite disaster recovery facility. The department did include a request in its budget request for fiscal year 2001-2002 for additional funding to be used to contract with a private company that provides offsite disaster recovery facilities; however, the funds were not appropriated by the legislature. Without provisions for an offsite disaster recovery facility, the department is unable to prepare a written disaster recovery/contingency plan.

The department should allocate current funds or request additional funds be appropriated to contract for an offsite disaster recovery facility. Once access to an offsite facility is obtained, the department should prepare a written disaster recovery/contingency plan. After establishing the plan, the department should test the plan periodically and update it as necessary. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 4).

#### **Theft of Funds**

The Department of Public Safety and Corrections, Public Safety Services had \$5,409 of cash receipts that were stolen from its Office of Motor Vehicles Office in Bossier City. The theft occurred because the office in Bossier City was not adhering to established internal controls to safeguard funds received by this office.

Louisiana Revised Statute 14:67 defines theft as the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

LEGISLATIVE AUDITOR

**PUBLIC SAFETY SERVICES  
DEPARTMENT OF PUBLIC SAFETY  
AND CORRECTIONS  
STATE OF LOUISIANA**

Management Letter, Dated November 19, 2002

Page 4

The employee who allegedly stole the funds has been terminated and was arrested by the Bossier Parish Sheriff's Office. In addition, the department was able to recoup the full amount of stolen funds from the employee.

The Department of Public Safety and Corrections, Public Safety Services should ensure that the Office of Motor Vehicles Office in Bossier City is adhering to the established internal controls to safeguard receipts. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 5).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the department should be considered in reaching decisions on courses of action. Findings relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

This report is intended for the information and use of the department and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is fluid and cursive, with the first name "Daniel" being the most prominent part.

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

RLT:WDD:RCL:dl

## Appendix A

### Management's Corrective Action Plans and Responses to the Findings and Recommendations





# Department of Public Safety and Corrections

## Public Safety Services

M. J. "MIKE" FOSTER, JR.  
GOVERNOR

October 17, 2002  
DPS-02-352

CHRISTOPHER A. KEATON  
UNDERSECRETARY

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
State of Louisiana  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The following is our official response to the audit finding "Ineffective Internal Audit Function" as well as our proposed corrective action plan.

The Department of Public Safety concurs with your finding that we did not conduct a sufficient number of audits to be considered an effective internal audit function. This is due to the staff reductions that have occurred over the last several years. Additional audit resources are needed. The audit finding should not be read to imply that the audits performed are ineffective. We feel the audits performed are effective. Due to limited internal audit resources, we are not able to conduct as many audits as we would like.

We have chosen to audit the activities with the greatest potential for harm to the department and the state, those where a majority of the revenues are collected, in the Office of Motor Vehicles. The department feels that we do have proper procedures and internal controls in place that are operating within applicable laws and regulations. Specific efforts are dedicated to ensure that the internal audit staff is extensively involved in any procedures that ultimately safeguard the state's resources.

The department's corrective action plan will once again include a request for additional internal audit positions. We have, in prior years requested additional staffing through the budget process but have not been successful in that effort. At the present time, we do not have any positions that are candidates for reallocation to audit functions. Our budget request for fiscal year 2003-04 includes a request for 4 additional internal audit positions.

If you should have any questions or need further information, please feel free to contact me.

Sincerely,

Christopher A. Keaton  
Undersecretary



# Department of Public Safety and Corrections

## Public Safety Services

M. J. "MIKE" FOSTER, JR.  
GOVERNOR

CHRISTOPHER A. KEATON  
UNDERSECRETARY

June 24, 2002

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
State of Louisiana  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The following is our official response to the audit finding "Lack of Verification of Time and Attendance" as well as our proposed corrective action plan.

The Department of Public Safety concurs with your finding that in some cases time and attendance data entered into the ISIS system was not independently verified and timesheets were not approved in a timely manner. In an effort to correct this lack of internal controls, the Department of Public Safety sent the following letter to all budget unit/agency heads on June 13, 2002.

The Legislative Auditor has informed me of a repeat audit finding which requires our immediate attention. The finding is as follows:

"When the new ISIS/HR system was implemented on March 19, 2001, the Department of Public Safety did not ensure that all Time Administrators knew what report generated by the system could be used to verify the time and attendance data entered into the system. Per the department's payroll manual, the Certifying Official is responsible for ensuring that all employees' time and attendance records have been verified. In addition, the backup time administrators in some sections were not verifying the time entered into the system to the timesheets and leave slips. These conditions exist because not all of the Time Administrators knew that the ZT02 "Time Entry Audit Report" could be printed and used to verify the time entered into the system."

To address this issue, each pay period time administrators must print the ZT02 report for all time administrator groups for which they are responsible. Once the report has been printed, the secondary (backup) time administrator must verify the entries are accurate. This should be done as soon as possible after the pay period ends so any corrections can be made prior to the paychecks being cut for that pay period. Upon completion of verifying that all entries are accurate according to the

**employees' sign-in sheets, the verifier must initial and date the ZT02 report. After the report has been verified, it must be signed by the certifying official approving all time entries. These reports must be maintained along with the sign-in sheets for auditing purposes.**

Each section will be audited to ensure compliance, and appropriate disciplinary action will be taken for failure to comply with established policies and procedures. If you have any questions or concerns, please contact someone from my office at 925-6032 or Ms. Tina Boudreaux, Human Resources Director, at (225) 925-6067.

Your on-site auditors as well as our staff have reviewed this letter, and we feel that it addresses the concerns cited in your findings. We will continue to monitor this issue to ensure that time and attendance data is independently verified and properly approved.

If you should have any questions, please feel free to contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Christopher A. Keaton". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Christopher A. Keaton  
Undersecretary



# Department of Public Safety and Corrections

## Public Safety Services

M. J. "MIKE" FOSTER, JR.  
GOVERNOR

CHRISTOPHER A. KEATON  
UNDERSECRETARY

August 5, 2002  
DPS-02-324

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
State of Louisiana  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The following is our official response to the audit finding "Lack of Written Disaster Recovery Plan" as well as our proposed corrective action plan.

The Department of Public Safety concurs with your finding that we do not have a written Disaster Recovery/Contingency Plan. The Department requested additional funding (approximately \$1 million) for a Disaster Recovery/Contingency Plan in fiscal year 2002-2003. Funds were appropriated by the legislature. The Department in turn made the funds available to the Office of Information Technology for a statewide enterprise disaster recovery/business continuity plan initiative. A focus group was formed with the first meeting held on July 12, 2002 at the Office of Computing Services. The meeting started with a presentation by LASERS on their DR/BCP efforts. After a lengthy discussion, all parties agreed that current funding was inadequate for disaster recovery. A subcommittee was formed to only look at data backup. Data backup would provide a beginning effort toward disaster recovery by physically separating the existing data from backup copies of the data. This could be accomplished by using the existing facilities to hold backup copies for each other. The full focus group would continue to work on a statewide enterprise disaster recovery/business continuity plan. The subcommittee, comprised of representatives of the DPS, LSU, OCS, OTM, and OIT conducted its first meeting at LSU. Each facility is to identify their data backup requirements and associated costs for the next meeting scheduled in the DPS Data Center at 9 a.m. on August 14, 2002. A statewide enterprise disaster recovery/business continuity plan should be developed shortly thereafter.

If you should have any questions, please feel free to contact my office or our Director of Information Technology and Communications, Mr. Rex McDonald.

Sincerely,

Christopher A. Keaton  
Undersecretary

/CAK



# Department of Public Safety and Corrections

## Public Safety Services

M. J. "MIKE" FOSTER, JR.  
GOVERNOR

November 13, 2002  
DSP-02-363

CHRISTOPHER A. KEATON  
UNDERSECRETARY

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
State of Louisiana  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The following is our official response to the audit finding "Theft of Funds" as well as our proposed corrective action plan.

The Department of Public Safety concurs with your finding that the Office of Motor Vehicles in Bossier City was not adhering to established internal controls to safeguard funds received by the office. Consequently, cash receipts in the amount of \$5,409 were stolen from this office.

We have implemented the following corrective actions to address this situation. All mail-in files are received directly by the office manager and logged in. Previously, an employee was in charge of mail-in files, and the manager had no knowledge of what was being sent in by mail. All mail-in files are assigned to different employees by the manager, who logs the names of the employees and notates when they are completed. The manager was issued a stern letter of warning in regard to allowing this employee to balance out her daily collections while not in the presence of a manager or designee. This is in fact part of the OMV policies that was disregarded. The manager is now required to regularly audit the work of her employees.

As a final resolution of this matter, the employee who allegedly stole the funds from the OMV in Bossier was arrested by the Bossier Parish Sheriff's Office and has been terminated by the Department of Public Safety. The department was also able to recoup the full amount of stolen funds from the employee.

If you should have any questions or need further information, please feel free to contact me.

Sincerely,

Christopher A. Keaton  
Undersecretary